

Mr. DORGAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DORGAN. Mr. President, I ask unanimous consent to speak as in morning business for 5 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### ANTIDERIVATIVE LEGISLATION

Mr. DORGAN. Mr. President, I will soon introduce a piece of legislation dealing with derivatives. The term "derivative" is not readily understood by most.

We read in the newspapers and hear on television reports these days about derivatives. The most recent news story, of course, was about a 28-year-old young fellow, an employee of the Barings Bank of England, a 230-year-old bank.

This young employee of the Barings Bank of England was stationed in Singapore. In Singapore as an employee of an English bank he was betting on the Nikkei index on the Japanese stock exchange. Turns out that he lost \$1 billion, and a 230-year-old British bank went under.

This is not the first time we have heard about derivatives. We heard about derivatives with respect to Orange County, CA. We heard about derivative failures across this country in recent years and it has alarmed some people, and justifiably so. Some who thought their retirement earnings were safe found out that the mutual fund they thought they invested in was, in fact, leveraged with derivatives.

Schoolteachers, school districts, cities, elderly people who had saved for their retirement, all have discovered in recent years the risk and potential danger of derivative trading when they do not know what they are doing. There are worldwide some \$30 to \$35 trillion in derivative contracts.

Derivatives in another manner and another name can be simple hedging, and hedging is a very customary thing to have happened. Banks hedge, farmers hedge. Hedging is a customary transaction. I have no trouble with that. Derivatives have become an international financial game and, in fact, some countries call it wagering or betting.

In this country, we have some very large banks that have begun trading in derivatives on their own account. They are involved in proprietary trading and derivatives in their own account. Not for customers.

The difficulty I have with that is when a financial institution whose deposits are insured by the American taxpayers with Federal deposit insurance, starts putting up a keno pit in their lobby and gambling effectively on derivatives, believing if they lose their shirt, the American taxpayers will pay. That is wrong. I do not believe financial institutions whose deposits are in-

sured by the Federal Government should be involved in any case or under any conditions in trading for their own proprietary accounts in derivatives. It is far too risky and far too fraught with potential failure.

In this case, the failure will be underwritten by the American taxpayers. We have seen a chapter of this in the past. It was called junk bonds in savings and loans. Let us not see that repeat itself in this country with banks and derivatives.

Now, most American banks are not involved in derivative trading. Ninety-nine percent of them are not. But we have several very large banks in the country, some of the largest, that are involved in derivatives, with risks up to 500 percent of their entire capital structure.

I will introduce legislation that I introduced in the previous Congress. It is very simple. It does not prohibit traditional hedging by financial institutions for the purposes of hedging risk. It does prevent and prohibit institutions whose deposits are insured by the Federal Government from trading on a proprietary basis in derivatives. That makes no sense, and we ought to stop it.

The fact is we have Federal regulators involved in looking over their shoulders on derivatives trading, but is like having traffic cops involved in looking at computer crime. It simply does not work.

We have a \$30 to \$35 trillion dollar worldwide derivative business, and we see what can happen. We see what happens when a 28-year-old, working for a British bank, living in Singapore, bets on Japanese stocks and loses \$1 billion, and everyone stands around looking surprised.

We saw everyone scratching their heads looking surprised that Orange County went bankrupt. It is fine to stand up and decide that the regulators have to do their jobs, and we as legislators ought to do ours, and ours ought to be to say to all financial institutions in this country, if you have Federal deposit insurance, you have no business trading in derivatives.

The American taxpayers do not deserve to be stuck with your losses if you want to gamble with their money. I hope some of my colleagues would see merit in this legislation and help me pass it.

I recall the legislation that I offered that finally passed the Congress prohibiting savings and loans from buying junk bonds. There was a struggle to get that passed, but I finally did. The reason I got it passed was, unfortunately, we had already lost a bundle by having S&L's buy junk bonds. They are up to their neck in debt with junk bonds.

It should never have happened. The ultimate absurdity was the Federal Government ended up owning junk bonds in the Taj Mahal Casino because an S&L that went bankrupt owned Taj Mahal junk bonds that were nonperformers and the Federal Government

ended up owning bank junk bonds in a casino.

That is the absurdity where we got with junk bonds, and we will head the same way with derivatives, mark my words, unless we decide that institutions whose deposits are insured ought not to bet on derivatives.

That is the purpose of my legislation. My hope is that several colleagues will see fit to pass this legislation in the near future. I thank my colleague from Ohio for indulging me with his statement.

Mr. GLENN. Mr. President, I suggest the absence of a quorum.

I ask that the time be charged to both sides.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GLENN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. GRAMS). Without objection, it is so ordered.

#### UNFUNDED MANDATE REFORM ACT OF 1995—CONFERENCE REPORT

The Senate continued with the consideration of the conference report.

Mr. GLENN. Mr. President, in thanking people who were instrumental in putting together this kind of legislation, I think we probably were remiss in not thanking Tony Coe, who did so much in the legislative counsel's office in putting together draft after draft after draft of this.

I saw him walking through the Chamber a moment ago, and I want him to step outside just for a moment. I say to Tony, we thank him for all his efforts. I know he does long hours over in the legislative counsel's office putting together some of these legislative proposals which have to be written and rewritten, as this one was.

We were spelling out a while ago people instrumental in getting this legislation through, and Tony certainly deserves to be commended for his efforts on behalf of this legislation, too, and we are glad to recognize him for it.

Mr. KEMPTHORNE addressed the Chair.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. KEMPTHORNE. Mr. President, I want to add my thanks also to Mr. Tony Coe and all that he has done. I think so often people do not realize the intricacies of this and the hours that are put in, and yet, time after time, we require staff to answer the call. Tony has done that in an exemplary fashion. We thank him for that. He has helped significantly, I think, in changing the mindset of how Congress will operate and he can be proud of it.

Mr. President, I suggest the absence of a quorum and ask that the time be equally divided.